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## **BASIS OF ESTIMATE**

CBO estimates that H.R. 207 will initially decrease direct spending as agencies make increased deposits to the Civil Service Retirement and Disability Fund (CSRDF) in 2001, but will increase spending in later years. CBO also estimates that the act will cause revenue to increase because employee contributions are higher.

### **Direct Spending**

**Federal Retirement Benefits.** According to information from the Office of Personnel Management, about 1,600 physicians currently receive PCAs. Prior to the enactment of H.R. 207, PCAs were not considered as part of basic pay, so they were not included in calculations of retirement benefits nor were these payments subject to employee or agency retirement contributions.

By reclassifying PCAs as basic pay, H.R. 207 will increase retirement benefits for those physicians who receive these payments. Only PCA pay received after this legislation's enactment will be counted as basic pay. Under the act, inclusion of PCA payments in benefit calculations are phased in according to the number of years that a physician has been employed by the federal government. Physicians receiving PCAs have to work at least eight years after enactment to take full advantage of the act's provisions. CBO estimates that additional federal retirement benefits will be negligible for the first five years, but will increase by \$5 million over the 2007-2010 period.

**Payments to the Civil Service Retirement trust fund.** Because the legislation includes PCAs in the calculation of federal retirement benefits, agencies will now be responsible for making contributions to the CSRDF on that portion of an employee's pay. Agency contributions to the trust fund on PCA payments are paid out the agency's annual appropriation, and contributions received by the fund are considered offsetting receipts. Because all the appropriations for fiscal year 2001 have been enacted, CBO counts the expected 2001 payments to the CSRDF as an offset to direct spending. CBO estimates these intragovernmental payments will total \$3 million in 2001. (In the absence of H.R. 207, the \$3 million would have been used, but would not have increased intragovernmental collections.)

### **Revenues**

By including PCAs in the calculation of federal retirement benefits, H.R. 207 also makes these payments subject to employee retirement contributions. CBO estimates that employee

contributions will increase by \$1 million annually over the 2001-2010 period as a result of the legislation.

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